

Randall L. Lambert
CHANIN CAPITAL PARTNERS
12 East 49th Street
New York, New York 10017
(212) 758-2629
Financial Advisor for the Official
Committee of Unsecured Creditors

Hearing Date: November 28, 2000
Time: 10:00 a.m.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X	:	
	:	
In re:	:	Chapter 11 Case Nos.
	:	
RANDALL'S ISLAND FAMILY	:	
GOLF CENTERS, INC., <i>et al.</i>,	:	00-41065 (SMB) through
	:	00-41196 (SMB)
Debtors.	:	
	:	(Jointly Administered)
-----X	:	

**FIRST AMENDED INTERIM APPLICATION OF CHANIN CAPITAL PARTNERS,
FINANCIAL ADVISOR FOR THE STATUTORY COMMITTEE OF UNSECURED
CREDITORS, FOR ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED
FROM MAY 17, 2000 THROUGH AUGUST 31, 2000, AND FOR REIMBURSEMENT OF
EXPENSES**

TO THE HONORABLE STUART M. BERNSTEIN
CHIEF UNITED STATES BANKRUPTCY JUDGE:

Chanin Capital Partners ("CCP"), Financial Advisor for the statutory committee of unsecured creditors (the "Committee") appointed in the chapter 11 cases of Randall's Island Family Golf Centers, Inc., et al., debtors and debtors in possession (collectively, the "Debtors"), submits this first application (the "Application"), pursuant to sections 330(a) and 331 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for the allowance of interim compensation for professional services rendered from the commencement of Chanin's representation on May 17, 2000 through

August 31, 2000 (the “Compensation Period”), and for reimbursement of expenses incurred in connection with such services, and, in support thereof, respectfully represents:

Summary of Application

1. Chanin seeks allowance of interim compensation for professional services rendered to the Committee during the Compensation Period in the aggregate amount of \$262,500.00, and for reimbursement of expenses incurred and recorded in connection with the rendition of such services in the aggregate amount of \$2,159.23. During the Compensation Period, Chanin professionals expended a total of 758.50 hours for which compensation is requested. Pursuant to the 20% holdback provision provided by the court, Chanin has received payments to-date of \$210,000.00 (\$30,000.00 for May, \$60,000.00 for each of June, July and August) in addition to reimbursement of expenses incurred in May through August in the aggregate amount of \$2,247.93.

2. Chanin does not maintain, in the normal course of providing financial advisory services to its clients, detailed written time records. However, in this case, Chanin maintained written records of the time expended by Chanin professionals in the rendition of their professional services to the Committee. Such time records were made contemporaneously with the rendition of services by the person rendering such services and in the ordinary course of Chanin’s practice. A summary schedule setting forth the number of hours expended by each of the professionals who rendered services to the Committee, is hereby attached as Exhibit “A”. A detailed compilation showing the name of the professional, the date on which the services were performed, a description of the services rendered, and the amount of time spent in performing the services during the Compensation Period is annexed hereto as Exhibit “B”. A summary schedule and also detailed descriptions of the expenses for which Chanin is seeking reimbursement and the total amount for each such expense category are attached hereto as Exhibit “C”.

3. In preparing this Application Chanin has complied with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995 (the "Local Guidelines"), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 adopted on January 30, 1996 (the "UST Guidelines"), and the Court's Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Monthly Compensation and Reimbursement of Estate Professionals dated June 21, 2000 (the "Administrative Order" and, collectively with the Local Guidelines, and the UST Guidelines, the "Guidelines"). Chanin believes that all applicable time and disbursement charges for the Compensation Period have been included herein. However, to the extent that time or disbursement charges for services rendered or disbursements incurred relate to the Compensation Period, but were not processed prior to the preparation of this Application, Chanin reserves the right to request additional compensation for such services and reimbursement of such expenses in a future application.

Jurisdiction and Venue

4. The Court has jurisdiction to consider the Application pursuant to 28 U.S.C. §§ 157 and 1334, and the Standing Order of Referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York, dated July 10, 1984 (Ward, Acting C.J.). Consideration of the Application is a core proceeding pursuant to 28 U.S.C. § 157. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

5. On May 4, 2000, each of the Debtors filed their respective voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to manage

and operate their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtors' chapter 11 cases are being jointly administered. No request has been made for the appointment of a trustee or an examiner. No plan of reorganization for the Debtors has been filed.

6. On May 12, 2000, the United States Trustee for the Southern District of New York (the "US Trustee") appointed the Committee. Effective May 17, 2000, the Committee selected Chanin as its financial advisor. On July 5, 2000, the Court approved Chanin's retention as financial advisor to the Committee *nunc pro tunc* to May 17, 2000, to render financial advisory services to the Committee in these chapter 11 cases. As set forth more fully in the Committee's application to employ Chanin at the outset of these cases, Chanin has extensive experience in representing statutory committees in chapter 11 cases, as part of its prominent financial restructurings and bankruptcy expertise.

7. This is Chanin's first amended application for allowance of interim compensation for services rendered and for reimbursement of expenses. Chanin has previously provided monthly fee statements to the Debtors, the UST Trustee, and Chase Manhattan Bank, as agent (the "DIP Agent") for the Debtors' postpetition lenders (the "DIP Lenders") in accordance with the provisions of the Administrative Order, and have received payments of 80% of May, June, July and August's monthly fees in the aggregate amount of \$210,000.00, in addition to 100% reimbursement of expenses incurred from May through August in the aggregate amount of \$2,247.93.

Services Rendered by Chanin During the Compensation Period

8. As set forth in greater detail herein, the Committee and its professionals have played a very active role in the early months of these chapter 11 cases, traceable to the fact that

critical issues bearing on the outcome of these cases arose almost immediately. Furthermore, the Debtors entered bankruptcy in extremely weakened financial condition, and have continued to falter in their postpetition performance, necessitating heightened scrutiny of the Debtors' actions and proposed actions during the pendency of these cases.

9. After Chanin was selected by the Committee, Chanin engaged in extensive negotiations regarding the US Trustee's objection to certain terms of Chanin's engagement governing indemnification by the Debtors' estates. As a result of such negotiations, Chanin agreed to modify its engagement agreement in accordance with the requests of the US Trustee, and delete the controversial indemnification provisions.

10. In the early months of these cases, two issues loomed large. First, the Debtors had previously identified 34 "non-core" properties (out of a total of slightly over 100) for immediate sale on an expedited basis. Virtually all of these properties were losing money on an ongoing basis. Immediately following their respective retentions, Chanin together with Berlack Israels & Liberman LLP ("BI&L") worked expeditiously to ascertain the facts and issues surrounding the proposed sale, to determine whether the proposed disposition was in the best interests of the unsecured creditors. As part of that process, Chanin reviewed the Debtors' proposed global bidding procedures in order to insure that sale values were maximized. Thereafter, the Debtors withdrew their proposed global bidding procedures in lieu of a different procedure. Chanin then provided input on this latter procedure. Chanin also evaluated complaints from potential purchasers regarding lack of access to information on the properties, and worked with BI&L, the Debtors' counsel and other professionals to insure that adequate information was provided to all prospective bidders. After bids were received, Chanin reviewed the bids and analyzed the financial aspects of non-conforming bids to ascertain the impact on recoveries for unsecured creditors. When

the bid from Klak Realty arrived, Chanin participated in negotiation sessions with BI&L, counsel for the Debtors, Klak, and the DIP Lenders to reach a final deal that might maximize the value to the Debtors' estates. In conjunction therewith, Chanin also reviewed multiple drafts of the Klak asset purchase agreement, and analyzed financial and cure issues affecting recoveries for unsecured creditors. Chanin also reviewed various objections to the sale from landlords, secured lenders, and other parties, appeared at the critical hearings in respect of the Klak sale, and assisted in the negotiations concerning the terms of the order approving the sale.

11. In conjunction with the approval of the Klak sale, Chanin has engaged in extensive negotiations with the Committee members and BI&L concerning the distributions of the Klak sale proceeds and the impact of the sale on the Debtors' ongoing operations. Those negotiations are ongoing and at least one adversary proceeding has been commenced by a mortgagee in that regard.

12. Chanin has undertaken an extensive financial due diligence process to understand and assess the operational and financial position of the Debtor. This process included an in-depth review and analysis of significant amounts of historical and projected financial information by property locations that Chanin presented to the Committee. Projects included an ongoing analysis of the Company's projections. The due diligence process was ongoing and was conducted via numerous teleconferences with Zolfo Cooper, LLC and On-Site visits.

13. At the request of the Committee, Chanin worked extensively with the Debtor and its Advisor to understand the Debtor's cash-flow and revenue forecasts during this period. These analyses were essential to monitor the performance of the Debtor, its liquidity situation and the adequacy of the availability under the DIP.

14. Chanin reviewed and analyzed the changing cash flow forecasts provided by the Debtor vis-a-vis the Debtor's original projection and historical performance. Chanin updated the Committee regularly on the actual performance compared to budgeted performance. In addition, Chanin discussed with management and its advisors the factors that led to variance, if any. Chanin reviewed and analyzed the Debtor's monthly operating reports, which includes a summary of sources and uses of funds, and income statement data. Chanin provided analysis of this data to the Committee in order to keep all members current on the Debtor's performance.

15. The second key issue in these cases came to the fore in early August, 2000. In separate meetings with the Committee and with the DIP Lenders, the Debtors announced that due to continuing losses from operations, they expected to be in default of certain financial ratio covenants contained in the DIP Financing agreement by October of 2000. In light of this development, Chanin along with BI&L undertook negotiations on behalf of the Committee with counsel for the Debtors, Zolfo Cooper and with counsel to the DIP Lenders regarding critical management and operational performance issues. Included in those negotiations are proposals for modifications of the DIP Financing agreement covenants to cure the anticipated defaults, coupled with agreements on the part of the Debtors regarding management and operations going forward. Those critical negotiations are currently ongoing, but Chanin is hopeful for a constructive resolution in the near future. In conjunction with this process, Chanin examined the Debtors' request for a 120 day extension of their exclusive periods for filing a plan of reorganization and concluded that a shorter period – 90 days – would better serve the creditors in these cases. Ultimately, the Court granted the shorter 90 day extension.

16. Chanin reviewed and analyzed all motions filed by the Debtors and other parties in interest in this Court. Chanin prepared financial analysis related to several of these

motions and kept Committee members advised of all material developments during the Compensation Period. Chanin also consulted with BI&L, the Committee's counsel, regarding documents and other information received or required from the Debtor.

17. Throughout the Compensation Period, Chanin maintained frequent contact with members of the Committee in order to ensure that they were aware of, and expressed their views and directions regarding, the matters discussed above and other pending matters affecting unsecured creditors. To minimize costs, Chanin typically communicates with the members of the Committee by telephone, email, or in detailed status memoranda. The frequent contact between Chanin and members of the Committee has been necessary to ensure not only a proper understanding of specific issues, but also to provide a broader perspective from which the Debtors' bankruptcy cases can be viewed. Chanin submits that its efforts and direction have enabled the Committee to participate promptly, knowledgeably, and effectively in these chapter 11 cases. In addition to its communications with members of the Committee, Chanin has received numerous inquiries from other unsecured creditors and parties in interest regarding the status of the chapter 11 cases. Chanin has provided information concerning the status of these chapter 11 cases as thoroughly as possible without disclosing any confidential information or discussing the merits of creditors' individual claims.

Disbursements

18. Chanin has disbursed \$2,159.23 as expenses incurred and recorded in providing professional services during the Compensation Period. Each of these expenses does not exceed the maximum rate set by the Guidelines. These charges are intended to cover Chanin's direct costs, which costs are not incorporated into the Chanin monthly fees. Only clients who actually use services of the types for which reimbursement is sought are separately

charged for such service. The effect of including such expenses as part of the monthly fee would impose that cost upon clients who do not require such services.

19. In these proceedings, Chanin charges \$0.20 per page for internal duplicating and \$0.50 per page for outgoing facsimile transmissions. Chanin does not charge for incoming facsimile transmissions nor for facsimile transmissions for local telephone numbers. The amount of the standard photocopying charge is intended to allow Chanin to cover the related expenses of its photocopying service. A determination of Chanin's actual expense per page for photocopying, however, is dependent on both the volume of copies and the total expenses attributable to photocopying on an annual basis.

20. Due to the nature of the Debtors' businesses, the location of their various offices and facilities, as well as the location of the members of the Committee and their professionals, frequent long distance telephone calls have been required. On several occasions, overnight delivery of documents and other materials was required as a result of urgent needs necessitating the use of such express services.

21. The time constraints imposed by the circumstances of these cases have required Chanin's professionals at times to devote time during the evenings and on weekends to the performance of financial services on behalf of the Committee. While not frequent, these extraordinary services were essential in order to meet deadlines, timely react to the rapidly changing financial condition of the Debtors, and satisfy the demands of the Committee in providing high-quality financial services. Chanin has not charged for any overtime expense. Nonetheless, consistent with the provisions of the Guidelines, Chanin has sought reimbursement for the expenses related to working meals and transportation, consistent with the provisions of the Guidelines.

22. Chanin respectfully submits that the actual expenses incurred in providing professional services for which reimbursement is sought in this Application were necessary, reasonable, and justified under the circumstances to serve the needs of the Committee in fulfilling their statutory obligations.

The Requested Compensation Should Be Allowed

23. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern a court's award of such compensation. 11 U.S.C. § 331. Section 330 provides that a court may award a professional employed by the Committee under section 1103 of the Bankruptcy Code "reasonable compensation for actual necessary services rendered. . . and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1).

24. Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded, the court should consider the nature, extent, and the value of such services, taking into account all relevant factors, including

(A) the time spent on such services;

(B) the fees charged for such services;

(C) whether the services were necessary to the administration of or beneficial at the time at which the service was rendered toward the completion of a case under this title;

(D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and

(E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3).

25. As set forth in greater detail above, Chanin respectfully submits that it has satisfied the requirements of section 330 of the Bankruptcy Code. The services for which it seeks compensation in this Application were necessary for and beneficial to the Committee, the creditors, and the Debtors' estates. Chanin's request for compensation is reflective of a reasonable and appropriate amount of time expended in performing such services commensurate with the complexity, importance and nature of the problem, issue, or task involved. These services were performed without unnecessary duplication of effort by professionals employed by Chanin. The compensation sought by Chanin is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under the Bankruptcy Code. Indeed, Chanin's monthly fees are comparable or lower than other similarly qualified financial advisors appearing in these and other chapter 11 cases. For all of the foregoing reasons, Chanin respectfully requests that the Court grant this Application.

Statements of Chanin

26. No agreement or understanding prohibited by section 504 of the Bankruptcy Code exists between Chanin and any other person for a sharing of compensation received or to be received for services rendered in or in connection with these chapter 11 cases, nor shall Chanin share or agree to share the compensation paid or allowed from the Debtors' estates for such services with any other person in contravention of section 504 of the Bankruptcy Code. No agreement or understanding prohibited by 18 U.S.C. § 155 has been made by Chanin.

27. Pursuant to Bankruptcy Rule 2016, Chanin states that no payments have heretofore been made or promised to Chanin for services rendered or to be rendered in any capacity in connection with these chapter 11 cases, except as authorized by the Court in its order dated May 31, 2000 approving the retention of Chanin.

28. A copy of this Application has been provided to the Co-Chairman of the Committee, and they have approved it.

Waiver of Memorandum of Law

29. Pursuant to Local Bankruptcy Rule for the Southern District of New York 9013-1(b), because there are no novel issues of law presented by this Application, Chanin respectfully requests that the Court waive the requirement that Chanin file a memorandum of law in support of this Application.

Notice

30. Copies of this Application have been provided to counsel for the Debtors, counsel for the DIP Agent, and the US Trustee. Pursuant to paragraph 4 of the Administrative Order, a notice of the hearing, when set by the Court, to consider this and other professionals' applications for interim compensation will be served on the US Trustee, counsel to the Debtors, counsel to the DIP Agent, and all parties who have filed a notice of appearance with the Clerk of the Court and requested such notice. Chanin submits that this is good and sufficient notice and no other or further notice is necessary.

WHEREFORE, Chanin respectfully requests (i) an interim allowance of compensation for professional services rendered as financial advisors for the Committee in the amount of \$262,500.00 in fees for the period of May 17, 2000 through August 31, 2000, (ii) reimbursement of actual and necessary disbursements incurred and recorded by Chanin in the amount of \$2,159.23, (iii) such other and further relief as is just, and iv) authority to the Debtor to pay to Chanin outstanding compensation in the amount of \$52,411.30.

Dated: New York, New York
November 14, 2000

CHANIN CAPITAL PARTNERS

By: s/ Randall L. Lambert
Randall L. Lambert
Managing Director

12 East 49th Street
New York, New York 10017
(212) 758-2629

Financial Advisor for the Official Committee
of Unsecured Creditors